

Q2FY19 Result Update
Buy

Industry	Logistics
CMP (Rs)	269
FY20E Target Price (Rs)	334
52 Week H/L (Rs)	376/232
Volumes (BSE+NSE)*	14,539
Shares O/S (mn)	76.6
Market Cap (Rs bn)	20.6
Free Float (%)	33.1
Bloomberg Code	TRPC IN
Reuters Code	TCIL.BO

* Three Month Daily Average

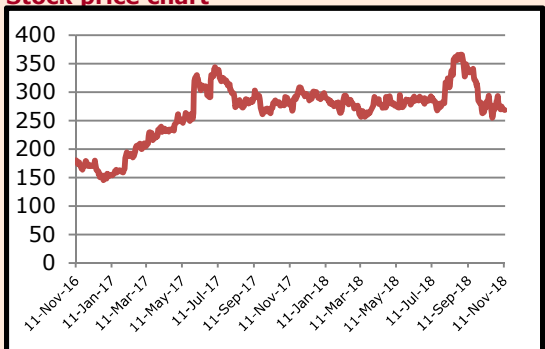
Share Holding Pattern (30/09/2018)

Particulars	Shares (mn)	Holding (%)
Promoters	51.2	66.9
FIIs	1.4	1.9
DIIIs	5.8	7.6
Others	18.2	23.6
Total	76.6	100.0

Source : BSE

Financial Highlights - Consolidated

Particulars (Rs mn)	FY18	FY19E	FY20E
Sales	23,461	27,261	32,054
EBITDA	2,127	2,331	2,789
EBITDA Margin	9.1%	8.5%	8.7%
Net Profit	1,244	1,449	1,707
EPS (Rs)	16.2	18.9	22.3
EV/EBITDA (x)	11.5	10.7	8.9
P/E (x)	16.6	14.2	12.1
RoE	17.6%	17.7%	18.1%

Stock price chart

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Transport Corporation of India (TCIL) reported standalone revenues of Rs 6.2bn, a y-o-y growth of 19.2%. The revenue growth matches our expectation. We find that y-o-y growth across the divisions has been robust through the last six quarters. The various divisions (standalone) revenues performed as thus :

- Transport division: 27.2% growth y-o-y vs. 14.2% y-o-y growth in Q1FY19
- Supply Chains Solution division: 9.1% growth y-o-y vs. 19.7% y-o-y growth in Q1FY19
- Seaways division: 36.2% y-o-y growth vs. 23.1% y-o-y growth in Q1FY19

EBITDA margins recorded a 100bps y-o-y decline because of Transport division, which being a lower EBIT margin business, contributed to a larger portion of the turnover. EBIT margins of the various divisions are :

- 30bps decline y-o-y in Transport division to 2.8%
- 50bps increase y-o-y in the Supply Chain Solutions division to 7.2%
- 230bps decline y-o-y in Seaways division to 14.7%

Net profit growth was at 1.4% y-o-y to Rs 259mn lower than our expectation. Slow net profit growth was driven by lower EBITDA margins.

Transport division posted robust growth driven by both volumes and price increases

Growth in the division was driven by MSE / MSME customers.

EBIT margins in Transport division hit by higher fuel prices

Management believes that its focus on large clients, value added services and on LTL (less than truck load), will help it to improve margins going forward.

Slow and late start of festive demand had an impact on growth in the Supply Chain division

Going forward, the management intends to capitalise on its strong customer pipeline to push growth.

Seaways division's revenue growth to pick up in H2FY19 driven by the addition of a new ship.
Seaways division's margins were impacted due to an increase in fuel price, lower volumes, and deployment of new ship in Q2FY19.
EBITDA margin declined by 100bps due to decline in both the Seaways and Transport division's margins.
Capex of Rs 2500mn in FY19

Of this Rs 1130mn has already been spent in H1FY19. For FY19, capex is as: Rs 600mn on hub centres and warehouses, Rs 860mn on trucks & cars, Rs 780mn on ships & containers and Rs 260mn on strengthening the IT backup.

Outlook and Valuations

TCIL trades at a P/E of 14.2x and 12.1x FY19E and FY20E earnings respectively. We value TCIL at 15x FY20E EPS. On that basis, we assign a fair price of Rs 375 and recommend a Buy rating on TCIL.

Segmental Performance (Standalone)

	Q2FY19	Q2FY18	Y-o-Y Change	Q1FY19	Q-o-Q Change	H1FY19	H1FY18	Y-o-Y Change
Revenue (Rs mn)								
Transport	2,932	2,305	27.2%	2,783	5.4%	5,715	4,741	20.5%
Supply Chain Solutions	2,552	2,339	9.1%	2,375	7.4%	4,927	4,323	14.0%
Seaways Division	788	579	36.2%	715	10.3%	1,503	1,160	29.6%
Power Division	33	32	5.7%	23	47.1%	56	56	0.7%
Unallocable & Corporate	58	63	-6.9%	66	-11.1%	124	72	72.8%
Less: Intersegment Revenue	80	43	87.1%	64	26.1%	144	98	46.1%
Less: Other Income	81	71	14.2%	82	-1.5%	164	87	88.0%
Total	6,203	5,203	19.2%	5,815	6.7%	12,018	10,166	18.2%
PBT (Rs mn)								
Transport	82	71	16.5%	70	18.1%	152	119	27.0%
Supply Chain Solutions	184	157	17.3%	162	13.5%	346	275	26.1%
Seaways Division	116	98	18.2%	136	-14.8%	253	217	16.3%
Power Division	25	23	5.1%	14	74.5%	39	39	0.5%
Less : Interest	93	74	25.8%	70	32.3%	163	155	5.5%
Less: Unallocable Expense	44	15	188.1%	21	111.2%	64	24	172.8%
Add: Unallocable Income	-58	-63	-6.9%	-66	-11.1%	-124	-72	72.8%
Total	329	323	1.9%	357	-7.9%	686	543	26.2%
EBIT Margins								
Transport	2.8%	3.1%	-30 bps	2.5%	+30 bps	2.7%	2.5%	+20 bps
Supply Chain Solutions	7.2%	6.7%	+50 bps	6.8%	+40 bps	7.0%	6.4%	+60 bps
Seaways Division	14.7%	17.0%	-230bps	19.1%	-440bps	16.8%	18.7%	-190bps

Quarterly Financials (Standalone)

	Q2FY19	Q2FY18	Y-o-Y Change	Q1FY19	Q-o-Q Change	H1FY19	H1FY18	Y-o-Y Change
Operating income	6,203	5,203	19.2%	5,815	6.7%	12,018	10,165	18.2%
Less: Expenditures								
Operating cost	5,066	4,175	21.3%	4,715	7.5%	9,781	8,156	19.9%
Staff costs	347	296	17.1%	333	4.0%	680	583	16.7%
Other operating costs	259	232	11.7%	254	1.7%	513	479	7.2%
EBITDA	531	500	6.2%	513	3.5%	1,044	948	10.1%
EBITDA margin	8.6%	9.6%	-100 bps	8.8%	-20 bps	8.7%	9.3%	-60 bps
Other income	81	71	14.2%	82	-1.5%	164	87	88.0%
Depreciation	191	175	8.9%	168	13.4%	359	335	7.0%
EBIT	422	396	6.4%	428	-1.4%	849	700	21.3%
Interest	93	74	25.8%	70	32.3%	163	155	5.5%
Profit before tax	329	322	2.0%	357	-8.0%	686	545	25.8%
Tax	70	67	4.0%	75	-7.0%	145	114	27.7%
Profit after tax	259	255	1.4%	282	-8.3%	541	431	25.3%
EPS (Rs)	3.4	3.3	1.4%	3.7	-8.3%	7.1	5.6	25.3%

Income Statement (Consolidated)

Y/E March (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Income from operations	17,270	19,427	23,461	27,261	32,054
<i>Growth y-o-y</i>	-28.5%	12.5%	20.8%	16.2%	17.6%
Less: Expenditures					
Operating costs	14,034	15,821	19,068	21,999	25,739
Staff costs	980	1,068	1,245	1,636	1,923
Other operating & admin costs	974	931	1,021	1,295	1,603
EBITDA	1,283	1,607	2,127	2,331	2,789
<i>EBITDA Margin</i>	7.4%	8.3%	9.1%	8.5%	8.7%
Other income	78	122	182	273	321
Depreciation	521	592	687	705	942
EBIT	840	1,137	1,623	1,899	2,167
Interest	239	288	322	370	372
Share in Net Profit of JV	119	155	224	250	300
Profit before tax	719	1,004	1,525	1,779	2,095
Tax	154	191	287	338	398
Profit after tax	565	813	1,238	1,441	1,697
Minority interest	4	6	6	8	10
Adjusted net profit	561	807	1,244	1,449	1,707
<i>Growth y-o-y</i>	-31.0%	43.8%	54.2	16.4	17.8
EPS (Rs)	7.4	10.5	16.2	18.9	22.3

Balance Sheet Statement (Consolidated)

Y/E March (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Share capital	152	153	153	153	153
Reserves and surplus	5,618	6,338	7,465	8,590	9,955
Shareholders' funds	4,540	6,491	7,618	8,743	10,109
Borrowed funds	2,746	3,795	3,953	4,003	4,003
Minority interest	39	43	47	47	47
Deferred tax liability (Net)	299	395	445	445	445
Total Liabilities	7,621	10,724	12,062	13,238	14,603
Net fixed assets	4,810	5,894	6,821	8,421	8,729
Goodwill on consolidation	0	0	0	0	0
Investments	779	899	1,358	950	950
Current assets, loans & advances	4,388	5,526	5,799	6,096	7,545
Less: Current liabilities & provisions	1,336	1,595	1,915	2,230	2,622
Net current assets	2,031	3,931	3,883	3,866	4,924
Total Assets	7,621	10,724	12,062	13,238	14,603

Cash Flow Statement (Consolidated)

Y/E March (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Profit before tax and appropriations	719	1,004	1,525	1,779	2,095
Adjustments for	0	0	0	0	0
Depreciation	521	592	687	705	942
Change in WC	2,843	267	2,533	1,771	1,912
Others	-2,078	-980	-2,498	-2,276	-2,681
CF from operations	2,005	882	2,247	1,978	2,268
Capex	932	-950	-1,440	-2,500	-1,250
Change in investments	-707	-120	-458	407	0
Others	47	-562	-545	0	0
CF from investing	272	-1,632	-2,443	-2,093	-1,250
Change in equity	1	1	0	0	0
Change in debt	310	649	158	50	0
Dividend and others	-2,892	172	671	-660	-714
CF from investing	-2,581	823	828	-610	-714
Net change in cash	-304	73	631	-724	304
Opening cash balance	421	117	190	821	97
Closing cash balance	117	190	821	97	401

Key Ratios (Consolidated)

Y/E March (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Profitability					
ROE	9.6%	13.2%	17.6%	17.7%	18.1%
ROCE	9.1%	11.4%	14.2%	15.0%	15.6%
Margins					
EBITDA	7.4%	8.3%	9.1%	8.5%	8.7%
Net Profit	5.0%	4.2%	5.3%	5.3%	5.3%
Leverage and Coverage					
Interest Coverage	28.5%	25.3%	19.8%	19.5%	17.2%
Debt/Equity	0.5	0.6	0.5	0.5	0.4
Per Share					
EPS (Rs)	7.3	10.5	16.2	18.9	22.3
Book Value Per Share (Rs)	75.3	84.7	99.4	114.1	132.0
Valuation					
P/E	36.7	25.5	16.6	14.2	12.1
P/BV	3.6	3.2	2.7	2.4	2.0
EV/Sales	1.4	1.2	1.0	0.9	0.8
EV/EBITDA	18.4	15.1	11.5	10.7	8.9

Notes :

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